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TREASURY FOR STACK, CLARK, MOGER  
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TAGS: [EFIN](#) [EG](#) [IR](#) [IS](#) [KDEM](#) [KPAL](#) [NP](#) [PGOV](#) [PREL](#) [PTER](#)  
SUBJECT: UNDER SECRETARY LEVEY DISCUSSES TERRORIST FINANCE  
ISSUES IN EGYPT

Classified By: Acting DCM William R. Stewart for reasons 1.4 (b)  
and (d).

#### 1. Key Points

-- (S) Egyptian interlocutors confirmed to U/S Levey their concern about Iran and their desire to keep financial pressure on Iran.

-- (S) Central Bank Deputy Governor indicated that he would discuss with the Governor and others the possibility of a formal policy directive prohibiting Egyptian banks from opening any accounts for Iraqi banks.

-- (S) The Central Bank and EGIS confirmed to U/S Levey that they are watching the Misr-Iran Development Bank very closely.

-- (S) In response to U/S Levey's question about whether the U.S. should continue to publicly list Hezbollah leaders as designated entities for whom their assets would be frozen, EGIS Chief General Suleiman confirmed that isolating Iran in any way was helpful, and Foreign Minister Aboul Gheit said that anything that "dirtied the name of Hezbollah was welcomed."

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Central Bank Governor Hisham Ramez  
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2. (S) Under Secretary (U/S) Levey explained that the main purpose of his visit was to alert governments and banks about the threats presented by the Iranian banking system. He highlighted the recent FATF guidance on countermeasures that all jurisdictions should take against Iran. Acknowledging that Egyptian banks do very few transactions with Iranian businesses, he suggested that, in support of the FATF recommendations, the Central Bank of Egypt (CBE) should consider enacting a formal policy prohibiting Egyptian banks from opening an account for Iranian banks. U/S Levey noted that there are no Iranian banks with accounts in Egypt, so the policy would be painless and largely symbolic, but could help other Arab states with larger business relationships with Iran to feel comfortable taking such a step.

3. (S) Ramez concurred that there is nearly zero transactional activity between Egypt and Iran and that there were no Iranian banks with accounts in any Egyptian banks. He underlined that the CBE shared the GOE's general view of Iran, which was one of suspicion. In response to the request to issue a policy prohibiting opening Iranian banks from opening accounts in Egyptian banks, he said he had to check with the Governor and "his team", but that "it should not be a problem." He assured U/S Levey that the CBE has concerns from a regulatory perspective of Iranian banks and Iranian businesses. He also noted that the transactional volume in

Egypt is low enough that the CBE can watch all transactions for any signs of impropriety. Ramez also noted that no Iranian bank would be allowed to buy ownership of any banks in Egypt.

14. (S) U/S Levey specifically inquired about the existence of the Misr-Iran Development Bank (MIDB), noting that it does considerable portion of its transactions with companies which have been designated by the United States. Ramez did not reply directly to the point that MIDB does transactions with U.S.-designated entities, but indicated that the CBE is closely watching that bank and knows exactly what it is doing. He also noted that the Chairman of the MIDB, Ismail Hassan Mohamed, a former Central Bank Governor, knows the rules well and knows that the CBE is watching his bank closely. When asked why the MIDB was allowed to operate, Ramez indicated that it had been in existence for some time, so it would be hard to shut down now. U/S Levey urged the CBE to look more closely at the MIDB and its transactions with the designated entities, and as part of a proper response to the FATF guidance, the CBE may wish to consider some countermeasures specific to that bank, such as banning transactions with Iranian customers.

15. (C) Regarding money of Hamas members seized when they crossed into Egypt from Gaza, Ramez noted that the Central Bank was not involved, but that the Prosecutor General controlled the access to this money until it was determined what to do with it, at which point he expected the money would go into the Government coffers.

16. (C) When asked about the new UNSC sanctions on North Korea which include three new North Korean entities which should have their assets frozen by all jurisdictions, Ramez assured U/S Levey that every single UN list is implemented as soon as the Ministry of Foreign Affairs obtains the information.

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Foreign Minister Ahmed Aboul Gheit  
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17. (S) U/S Levey described the pressure that the U.S. has put on Iran through the targeted sanction regime, and noted that the FATF guidance urges all jurisdictions to be vigilant in assessing transactions with Iranian banks and to take necessary countermeasures. He noted that the international community had largely shut off the formal financial system to Iran, making it harder for Iran to finance terror. U/S Levey explained that he hoped that Egypt would take some formal steps to show its support of this effort, even though Iran and Iran do very little business together. U/S Levey said that if Egypt would take some of the countermeasures against Iran which he had described to the CBE, Egypt could play the important role of helping to move other Arab states to do the same.

18. (S) The Foreign Minister reaffirmed Egypt's concern about Iran, but made no commitment on the proposal to prohibit Egyptian banks from accepting accounts from Iranian banks. The Foreign Minister expressed some frustration that the U.S. policy to "financially strangle" Iran, as Secretary Rice had told him would be done, had not yet been fully successful. He bemoaned that Iran will always have money and it will be hard for the financial strangulation to be fully successful.

19. (S) The Foreign Minister urged U/S Levey to work with the UAE if it wants to stop the flow of money to Iran, and U/S Levey assured the Minister he was doing that (his next stop on this trip is to the UAE), but noted that the UAE may want to see Arab states such as Egypt taking similar steps so no one is seen as acting alone. The Foreign Minister noted that he hoped the 6 2 1 group states could meet soon to discuss the Iranian threat, as they were supposed to do recently. He was angry that the recent meeting on this subject had been canceled after some attendees refused to participate. He further noted that the Qataris and Omanis are not trustworthy when it comes to discussing Iran.

¶10. (S) In response to U/S Levey's query about the best way to handle Hezbollah, the Foreign Minister noted that he hoped a UN statement could be made against them, as he wanted to do whatever he could to "dirty the name" of Hezbollah. The Foreign Minister and his staff were interested in U/S Levey's view of the piracy problem, and they offered various solutions, including complete blockades of Somalia, limited military action to save the lives of hostages, and larger scale military operations on land to weaken the pirate's ability to operate. U/S Levey noted that the paying of ransom was a real problem, as that money is funding terrorists. Aboul Gheit replied, "then how am I supposed to get my boys back?"

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EGIS Chief, General Suleiman  
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¶11. (S) General Suleiman described how the GOE has been attacking the terrorist problem, going after terrorist leaders, the money flow, and the terrorist soldiers. He noted that stopping the money flow was an important part of the strategy, and that they have been successful at strangling several terrorist groups. However, he noted that smuggling was a huge problem now and that Iran was largely behind it as they were funding Hezbollah and Hamas. He noted that money was getting to Hamas in various ways, but noted that it mostly came via Damascus, and was then smuggled by land or sea to Gaza. He noted that smuggling was a big business, particularly given that Israel keeps the borders closed. He highlighted the efforts taken by the GOE to make the border more secure, including destroying tunnels and erecting underground metal barricades, but acknowledged that the smuggling could never be fully stopped. He added that Gaza is still suffering and needs the reconstruction money that the world has committed.

¶12. (S) U/S Levey summarized the U.S. strategy of keeping pressure on Iran through making the international financial system increasingly inhospitable to Iran. He explained that the efforts have been largely successful, and that nearly all reputable financial institutions will not do business with Iran. He explained that he had not previously visited Egypt because of the minuscule amount of trade and commerce between the two, but that he now wanted to urge Egypt to take some small, painless steps, as a means to keep the pressure on Iran and to give strength to other Arab states for whom such steps are more difficult. U/S Levey presented the proposal which he had made to the CBE of enacting a policy which forbids Egyptian banks from opening accounts for any Iranian banks. U/S Levey also explained the concerns about MIDB. General Suleiman did not react to the proposal to forbid Egyptian banks to open accounts for Iranian banks, but regarding MIDB, he said "I am watching every check, every transaction."

¶13. (S) U/S Levey queried General Suleiman if he thought the U.S. should be publicly seen as continuing to target Hezbollah through Treasury's financial designation process. Suleiman said that isolation of Iran was the way to go. This weakens them, but avoids a war, something Egypt does not want. Suleiman said that President Obama needs to test the Iranians, but at the end will see that the Iranians will lie to him and waste his time. He said that the U.S. had very successfully isolated Cuba and rendered it weak, so we had experience in successful isolation policies.

¶14. (SBU) U/S Levey's delegation cleared this cable.

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